



FOR MORE INFORMATION

*The U.S. Department of Education has several Direct Loan Servicing Center locations with separate mailing addresses and telephone numbers. The address and telephone number of the location servicing your loan will appear on all correspondence the Center sends you after you receive a Direct Loan. **Always use that information if you have questions about your Direct Loan.** If you should misplace that information, call this toll-free number for help:*

1-888-447-4460

*The TDD number (for the hearing-impaired **ONLY**) is*

1-800-730-8913



<p><i>PLUS Loan Basics</i> was updated in March 1997.</p>
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What is a Federal Direct PLUS Loan?

This is one of the low-interest loans that make up the William D. Ford Federal Direct Loan Program (also known as “Direct Loans”). The Direct Loan Program enables students and parents to receive funds directly from the U.S. Department of Education to pay for education after high school. The Department is the lender, rather than a bank or credit union, and delivers loan proceeds through the student’s school. Students and parents repay the Department.





A Direct PLUS Loan enables you to borrow for your **dependent** student's education. Your child is considered dependent if he or she is **NOT** one of the following:

- at least 24 years old by December 31 of the first year of the award year (for example, for the 1997-98 award year, the cutoff date would be December 31, 1997)
- married
- a graduate or professional student
- a veteran
- an orphan
- a ward of the court
- someone with legal dependents other than a spouse



How do I apply?


Complete a combined application/ promissory note you can get by contacting your child's school. (Your child also must complete a portion of the application.)

How will I know if I'm eligible?

You'll be notified. Generally, you're eligible if

- you don't have an adverse credit history (a credit check will be done)
- you're not in default on a federal student loan (including Federal PLUS Loans)
- you meet the other eligibility requirements outlined on your loan application

Even if you have an adverse credit history, you're eligible if someone with no adverse credit history (other



than your child) agrees to endorse your loan (thus promising to repay it if you fail to do so), or if you can document to the U.S. Department of Education's satisfaction that you have extenuating circumstances. Also, if you're in default, you may still be eligible if you've made satisfactory repayment arrangements (defined as six consecutive, voluntary, on-time, full monthly payments that are reasonable and affordable based on your total financial circumstances).

I've already borrowed a Federal PLUS Loan for my child under the Federal Family Education Loan (FFEL) Program. Can I still get a Direct PLUS Loan?

Yes, although you can't get both types of loans for the **same loan period** for the same child. If your child attended a school that offered only FFELs and transferred to a Direct Loan school, you could borrow a Direct PLUS Loan for that child, as long as both loans were not for the same loan period.



How much can I borrow?

You may borrow any amount up to the cost of your child's education minus any other financial aid he or she may receive. For example, if your child's cost of education is \$8,000, and he or she receives \$5,000 in other financial aid, you can borrow up to, but not more than, \$3,000. There is no borrowing limit based on a determination of your financial need.

Is there a charge for this loan?

An origination fee of 4 percent of the loan principal will be deducted proportionately from each loan disbursement. This money goes to the federal government to help reduce the cost of supporting these low-interest loans.

What is the interest rate?

The interest rate is variable and is adjusted each year on July 1 but is currently not higher than 9 percent.

Note that interest begins to accumulate on the date of the **first** loan disbursement.




How will the loan be disbursed?

The loan will be disbursed in at least two payments and generally will be credited to the student's account for payment of tuition and other school charges. Any leftover funds will be paid to you by check or, with your written permission, either left in the student's account or paid directly to the student.

When do I begin repayment?

The repayment period begins on the day the loan is **fully** disbursed. Your first payment is due within 60 days after the **final** loan disbursement.

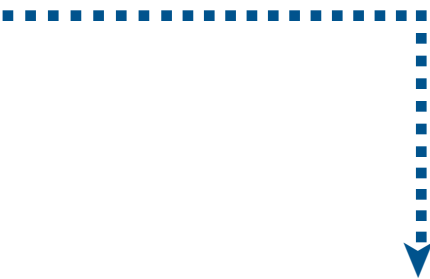
You'll pay both principal and the interest that accumulates. During periods of deferment and forbearance (postponements of loan payment—see pages 10 and 13 for a description of these terms), you



don't have to pay any principal, but interest will continue to accumulate. The unpaid interest will be capitalized (that is, added to your loan principal), unless you choose to pay the interest during the deferment or forbearance.

How do I repay, and where do I send my payments?

You repay your loan using one of the three repayment options explained on pages 8 through 10. Your payments will go to the U.S. Department of Education's Direct Loan Servicing Center. Although the Department has several Servicing Center locations (with separate addresses and telephone numbers), you'll always have only one Servicing Center to deal with—even if you take out several Direct PLUS Loans, or your child changes schools. You'll be





given the telephone number and address of your Servicing Center location once you receive a Direct PLUS Loan.

A choice of repayment options allows you to repay your loans in a way that best suits your financial circumstances. The Servicing Center will send you information to help you decide which plan is right for you. You can change repayment plans later if your circumstances change.

These are your repayment plan options:

- The **Standard Repayment Plan** requires fixed monthly payments (at least \$50) over a fixed period of time (up to 10 years). The length of the repayment period depends on how much you've borrowed. This plan usually results in the lowest total interest paid because the monthly payment is higher and the repayment period is shorter than under the other plans.

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- The **Extended Repayment Plan** allows loan repayment to be extended over a period from generally 12 to 30 years, depending on the total amount borrowed. You still pay a fixed amount each month (at least \$50), but usually the monthly payments will be less than under the Standard Repayment Plan. This plan may make repayment more manageable; however, usually you'll pay more interest because the repayment period is longer.
 - The **Graduated Repayment Plan** allows payments to start out low and increase generally every two years. Your monthly payments must be at least half, but may not be more than one-and-a-half, of what you would pay under Standard Repayment. As in the Extended Repayment Plan, the repayment period will vary from generally 12 to 30 years, depending on the total



amount borrowed. Again, monthly payments may be more manageable because they are lower, but usually you'll pay more interest because the repayment period is longer.

Note: You can prepay all or a portion of your loan at any time without penalty.

You'll receive more information on repayment options from the Direct Loan Servicing Center.


Can I ever postpone my loan payments?

Yes, in some circumstances. You must contact the Direct Loan Servicing Center to request either a deferment or a forbearance, which are explained on the next few pages.

Deferment

To qualify for deferment, **you** (not your child) must meet one of the following conditions:

- You must be enrolled at least half time in a program of study that meets the U.S. Department of Education's requirements for



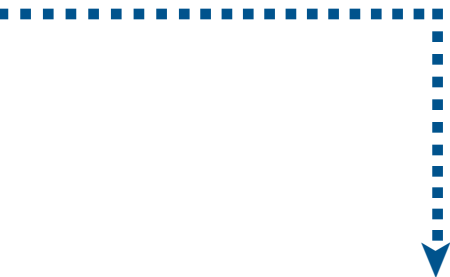
program eligibility. (You may not defer repayment while in a medical internship or residency program, unless you are in an internship program in dentistry.)

- You must be enrolled in a graduate fellowship program approved by the U.S. Department of Education.
- You must be enrolled in a rehabilitation training program for persons with disabilities that the U.S. Department of Education has approved.

You may also be eligible for deferment for a period of up to three years if you are

- seeking, but unable to find, full-time employment
- experiencing, or will experience, economic hardship (you can talk to the Servicing Center for more information on this deferment)

You may be eligible for additional deferments if, at the time you obtain a Direct Loan, you have an outstanding balance on an FFEL—that is, a Federal Stafford Loan, Guaranteed Student Loan, Federal Insured



Student Loan, Federal PLUS Loan, Federal Supplemental Loan for Students (SLS), Auxiliary Loan to Assist Students (ALAS), or Federal Consolidation Loan borrowed before July 1, 1993. The same deferments that apply to these FFELs can apply to your Direct Loan.

If you meet one of the deferment conditions, contact the Servicing Center and ask for the appropriate deferment form. You'll be asked for documentation to prove you meet the requirements for the deferment you're seeking. The deferment form will explain what information you must provide.

As mentioned earlier, you can choose not to pay any principal during deferment, but interest will be charged. You may choose to pay the

interest or have it capitalized (added to your principal balance when the deferment ends).

Forbearance

If you're unable to make payments on your Direct Loan for reasons such as unexpected personal problems or poor health, and you don't qualify for a deferment, you may request forbearance. During forbearance, you can temporarily stop making payments, or you can make smaller payments than originally scheduled. You may request forbearance for principal, interest, or both. Note that even if you receive a forbearance for the interest, it will be capitalized (added to your loan principal) when your forbearance ends.

You may also receive forbearance if

- you serve in a medical or dental internship or residency.
- you are obligated to make federal student loan payments equal to, or greater than, 20 percent of your total monthly gross income. There is a three-year limit for this forbearance.


Contact the Direct Loan Servicing Center to request forbearance. You'll be asked to provide documentation showing that you qualify.



Can my loan ever be discharged?

You can receive a discharge (a cancellation of your loan) under these specific circumstances:

- You (or the student for whom you borrowed) die(s).
- You become totally and permanently disabled. A physician must certify total and permanent disability. The impairment can't have existed before you applied for a Direct PLUS Loan, unless a doctor certifies that the impairment has substantially deteriorated since the loan was made.
- The student for whom you borrowed cannot complete a course of study because the school closed.
- The school falsely certified the eligibility of the student for whom you borrowed.
- You file for bankruptcy and your loan is discharged. (This type of discharge occurs only in rare cases.)



You must apply for a discharge through the Servicing Center.

Is there some way to combine my loans to make repayment easier?

Yes, you may want to consider a Federal Direct PLUS Consolidation Loan. Consolidation means you make only one monthly payment to cover all your education loans, including Federal PLUS Loans under the FFEL Program. There may be several advantages if you consolidate. Because your Consolidation Loan's interest rate is the same as for Direct PLUS Loans, you may be able to pay less interest than you're paying on your current loans. Also, you can choose a repayment plan that best suits your financial circumstances, and you may be able to reduce your monthly payments.

To receive a Direct PLUS Consolidation Loan, you must have an outstanding balance on a Direct PLUS Loan or a Federal PLUS Loan. If you don't already have a Direct Loan, you can consolidate your Federal PLUS Loan under Direct Loans **only** if you're unable to receive an FFEL consolidation loan. Also, you must not have an adverse credit history or,



if you do, you must either obtain an endorser for the loan (other than your dependent student) who has no adverse credit history or show that you have extenuating circumstances.

Direct PLUS Loan borrowers may consolidate the following loans into a Direct PLUS Consolidation Loan:

- Direct PLUS Loans
- other Direct PLUS Consolidation Loans
- Federal PLUS Loans
- Parent Loans for Undergraduate Students (PLUS)

If **you** have student loans such as Direct or FFEL loans, you may consolidate those under the Direct Consolidation Loan Program.

For general information about Direct PLUS Loans, call the Federal Student Aid Information Center: 1-800-4 FED AID (1-800-433-3243).